

Bill 9 (2022)
Testimony

From: CLK Council Info
Sent: Sunday, February 27, 2022 2:22 PM
Subject: Budget Testimony

Written Testimony

Name Bruce Anderson
Phone
Email bandk@hawaii.rr.com
Meeting Date 03-02-2022
Council/PH Committee Budget
Agenda Item Bill 9 (2022) Relating to real property taxation
Your position on the matter Support
Representing Self
Organization

Dear Chair Say, Vice Chair Cordero, and members of the committee.

Written
Testimony

My name is Bruce Anderson and I live in Honolulu, and I am testifying today in support of Bill 9 (2022) relating to real property taxation. Housing costs are making it impossible for people of normal means to live here comfortably. One of the reasons for this is the high number of homes that are purchased for investment purposes by individuals and corporations, and are unoccupied while they wait for the values to increase. One of the methods used successfully by other cities to address this problem is a special tax on unoccupied properties, which makes the investment opportunity less attractive. It also generates tax revenue that can be used to subsidize truly affordable housing for residents. Bill 9 is such a measure, and I ask for your support of this Bill. Thank for this opportunity to testify,

Bruce Anderson
Zip code 96822

Testimony
Attachment

Accept Terms
and Agreement 1

IP: 192.168.200.67

From: CLK Council Info
Sent: Sunday, February 27, 2022 12:49 PM
Subject: Budget Testimony

Written Testimony

Name Elizabeth King Salz
Phone
Email LIZKING808@GMAIL.COM
Meeting Date 03-02-2022
Council/PH Committee Budget
Agenda Item Bill 9
Your position on the matter Support
Representing Self
Organization

Written Testimony For years, I attempted to buy a house on O'ahu, where I have lived, studied, and worked for 30 years. I finally gave up and am planning to move to the Big Island. I am a public school teacher, a supporter of community non-profits, I do volunteer work, I am a good renter and a good neighbor. Curb the drain!

Testimony Attachment

Accept Terms and Agreement 1

IP: 192.168.200.67

From: CLK Council Info
Sent: Sunday, February 27, 2022 11:37 AM
Subject: Budget Testimony

Written Testimony

Name Calvin Pham
Phone
Email cfpham@yahoo.com
Meeting Date 03-02-2022
Council/PH Committee Budget
Agenda Item 3. Bill 9 (2022)
Your position on the matter Support
Representing Self
Organization

Aloha,

I am writing in support of Bill 9 (2022) because our community needs to address its housing shortage and housing affordability problem.

In the context of economic supply and demand combined with the governments power to regulate land use/development and impose taxes, the City and County of Honolulu has an opportunity to influence the demand side of the problem by implementing the Empty Homes Tax.

The issue of a tax on empty homes has been in the community discussion for years leading to a study by the Mayor's office published in 2020. Furthermore, the matter was taken up by the O'ahu Real Property Tax Advisory Commission where the idea was thoroughly discussed.

Written
Testimony

Bill 9 has the power to influence the residential housing market by introducing a disincentive to real estate speculation. When compared to other options for investment such as stocks, bonds, etc., Honolulu real estate holds and grows its value for what is effectively an investment fee of .35% of the tax assessed value (or for Residential A classified properties, .45% up to \$1M of value and 1.05% on value above \$1M).

If people have cash and are looking for an investment vehicle, then purchasing homes in Honolulu County are a safe and low-cost holding. Investment itself is not inherently good or bad, but what kinds of real estate investment help our community? The most direct form of community benefit from real estate investment is in the improvement and maintenance of real property that is rented in the long-term housing market.

The investment practice of holding real property in an empty state benefits the investors

whose assets grow in value for a marginal investment fee while removing a housing unit from our local supply. The practice of investing in real estate for renting out to tourists as a short-term vacation rental while also removing a housing unit from our local supply. This wouldn't be a problem if our community wasn't hurting for housing supply and a housing market with prices attainable for local-level incomes. There is no difference in the tax liability of owning a home for your/your tenant's primary residence versus owning an empty home for your personal investment benefit despite the effects of these practices producing inequitable results for our community.

Bill 9 changes this imbalance of investor-community benefits. I would encourage the City Council to consider the rate of this proposed tax. To truly discourage an investor from holding empty real property, the rate should be high enough to have an investor look elsewhere for a passive investment with a low expense ratio.

Transit-oriented development, zoning reform, and subsidies are ideas to address our housing affordability issue from the supply side. Bill 9 creates new choices to influence the demand side. This idea is important to the community to make sure the housing market is priced more attainably for locals to buy and rent.

Mahalo for your consideration of this bill.

Testimony

Attachment

Accept Terms
and Agreement

1

IP: 192.168.200.67

From: CLK Council Info
Sent: Saturday, February 26, 2022 9:55 AM
Subject: Budget Testimony

Written Testimony

Name Elizabeth Nelson
Phone
Email hawaiilizzie@gmail.com
Meeting Date 03-02-2022
Council/PH Committee Budget
Agenda Item Bill 9
Your position on the matter Support
Representing Organization
Organization Faith Action for Community Equity
Written Testimony I am in full support of this bill. It seems such a reasonable idea. The monies can be put to use in providing housing for the less fortunate.
Testimony Attachment Thank you.
Accept Terms and Agreement 1

IP: 192.168.200.67

From: CLK Council Info
Sent: Saturday, February 26, 2022 4:28 AM
Subject: Budget Testimony

Written Testimony

Name	Steven Costa Rev
Phone	
Email	thnxkeakua@gmail.com
Meeting Date	03-02-2022
Council/PH Committee	Budget
Agenda Item	B-9 empty homes tax
Your position on the matter	Support
Representing	Organization
Organization	Episcopal Diocese Hawaii
Written Testimony	In strong support of taxing homes not occupied by homeowners
Testimony Attachment	
Accept Terms and Agreement 1	

IP: 192.168.200.67

From: CLK Council Info
Sent: Friday, February 25, 2022 9:47 PM
Subject: Budget Testimony

Written Testimony

Name Daniela Rocco Minerbi
Phone
Email daniela.minerbi@gmail.com
Meeting Date 03-02-2022
Council/PH Committee Budget
Agenda Item Bill 9
Your position on the matter Support
Representing Self
Organization

Written Testimony I firmly support Bill (
respectfully,
Daniela Minerbi

Testimony Attachment
Accept Terms and Agreement 1

IP: 192.168.200.67

From: CLK Council Info
Sent: Friday, February 25, 2022 9:44 PM
Subject: Budget Testimony

Written Testimony

Name	Thomas Brandt
Phone	
Email	tbhawaiiowan@aol.com
Meeting Date	03-02-2022
Council/PH Committee	Budget
Agenda Item	Bill 9
Your position on the matter	Support
Representing	Self
Organization	
Written Testimony	Support
Testimony Attachment	
Accept Terms and Agreement 1	

IP: 192.168.200.67

BILL 9 TESTIMONY

To: Committee on Budget
Hearing on March 2, 2022 at 9:00 a.m.

From: John Kawamoto

Housing prices on Oahu have relentlessly increased for decades, while wages have stagnated. The gap between housing prices and wages has continuously widened, making housing less and less affordable for more and more people. The lack of housing is so serious that many Hawaii residents are making the difficult choice of leaving the land they love to move to the mainland because they can find less expensive housing there.

Meanwhile, tens of thousands of homes are sitting empty on Oahu for most of the year. They are investments owned by non-residents who stay there for only a few weeks a year. They could be renting those homes to residents. The empty homes tax is an effort to remedy the situation.

Assessing a tax on empty homes would have the effect of raising prices, thereby creating a disincentive to own empty homes. To avoid the tax, owners of empty homes would sell them or rent them to residents. If rented to residents, the empty homes would be converted to homes where residents live. The empty homes that remain empty would be taxed, and the tax revenue could be dedicated to the development of affordable housing and housing for homeless people.

In the long term, the empty homes tax would have the effect of reducing demand. Many of the empty homes are luxury homes. To adjust to the lower demand, Hawaii's housing development industry would shift away from building so many luxury homes for non-residents toward building more homes for residents.

The empty homes tax is the subject of a report that was submitted by the Real Property Tax Advisory Commission to the City Council in the form of a memo, dated December 14, 2021. The City Council had established the Commission, consisting of seven citizens, to conduct a systematic review of the City's real property tax system to make it more equitable and efficient.

The Commission's report includes a study of the issues surrounding an empty homes tax and recommends legislation, which is very similar to Bill 9. The report compares the Commission's recommended legislation with Bill 76 (2020) and concludes that its recommended legislation is superior in five dimensions: Primary Action, Enforcement, Defined Exclusions, Administrative Costs, and Tax Year. The report includes eight reasons for adopting the recommended legislation.

Bill 9 is similar to the recommended legislation, but there are a few differences. Most of these differences are relatively minor, but its method of determining an empty home is

ambiguous and should be clarified. The bill defines an empty home on page 2 as “any dwelling unit on a residential property that has been unoccupied for more than six months during the previous tax year and does not qualify for any of the exemptions in Section 8-__4.”

But on page 3 it says that “A dwelling unit on residential property is an empty home unless it qualifies for any of the following exemptions,” and the exemptions follow. Either the definition on page 2 is superfluous or there is a two-pronged process for determining an empty home. The bill is unclear. The bill should be amended to incorporate the methodology of determining an empty home contained in the recommended legislation that is part of the report of the Real Property Tax Advisory Commission.

The housing crisis on Oahu so large and complex that the empty homes tax should be viewed as one element of a constellation of measures that can create enough housing for all of Oahu’s residents that is affordable to them.

From: CLK Council Info
Sent: Monday, February 28, 2022 12:47 PM
Subject: Council Testimony

Written Testimony

Name Robin Hart
Phone
Email 144fortress@gmail.com
Meeting Date 03-02-2022
Council/PH Committee Council
Agenda Item Bill 9
Your position on the matter Support
Representing Self
Organization

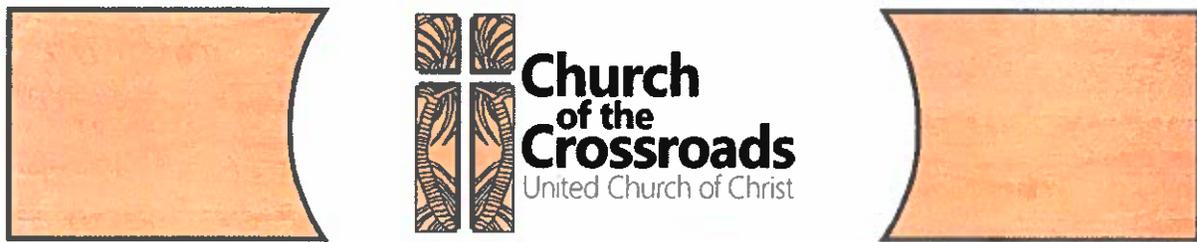
Local residents are being priced out of Housing in Hawaii. Our median cost of housing is over \$1,000,000. Yet the Census Bureau reports Oahu has over 34,000 empty homes!

Written Testimony Our tax structure is broken and encourages outside investors who don't even use our houses as homes. This is not sustainable. It is hurting all of us. We need to prioritize affordable homes for those who work and live here.

Please support Bill 9, for an Empty Homes Tax for Honolulu, with an amendment to conform the definition of "Empty Homes" to the ORPTAC's recommendation.

Testimony
Attachment
Accept Terms and Agreement 1

IP: 192.168.200.67



A Just Peace and Open and Affirming Congregation

Testimony of Church of the Crossroads In support of Bill 9, Empty Homes Tax, before the Honolulu Committee on the Budget on March 2, 2022, at 9:00am

The Church of the Crossroads was founded in 1922, as Hawaii's first intentionally multi-ethnic church. With approximately 190 members, our mission includes pursuing peace, justice, and stewardship of our environment.

The Church of the Crossroads believes that lack of affordable housing and homelessness are major justice and equity issues that hurt our entire community. We are in strong support of Bill 9, an Empty Homes Tax for Honolulu.

Local Residents are Priced Out of Hawaii. Little Wonder:

- \$1,000,000: Median home price in Honolulu.
- \$85,857 Median household income in Honolulu. (2020 Census)

Investors are hoarding our local housing:

- 34,253 Vacant Housing Units - NOT Occupied in Honolulu (2020 Census)
- 9.2% vacancy rate for our housing units (almost 1 in 10 units)(2020 Census)

Our Tax System is Broken. Let's help fix it, with an Empty Homes Tax.

1. We have the lowest property taxes in the nation. This encourages outside investors to buy up our housing and hoard it for their own profits. This drives up our cost of housing while depriving local residents of affordable homes.
2. The Empty Homes Tax (Bill 9, 2022) will impose a new, additional tax, only on Oahu properties that are NOT occupied at least 6 months of the year by persons who use it as their home (principal residence).
 - a. No one who rents, owns or occupies their home as their principal residence will need to pay this tax for their own home.
 - b. The tax would apply to properties NOT used for homes - those left vacant or blighted, or used for purposes other than homes for local residents.
 - c. The tax will encourage property owners and investors to convert existing vacant properties into homes for Hawaii residents, all **without** taking any

- new lands for development, without any need for public subsidies or costs for construction, and without long delays for permitting and development.
- d. Property owners who wish to keep a property vacant or use it for other than a home may continue to do so, but would pay the tax annually to help address harms caused by our severe lack of available homes.
 - e. Revenues from this tax would be dedicated solely to programs to address affordable housing and homelessness, with up to 5% of revenues to be used for implementation & enforcement of this tax.
 - f. Short-term equitable exemptions are provided (such as death of owner-occupant, major construction, sale or transfer of a property, military deployment, litigation related to property title, extended medical care, etc).
3. Lack of affordable housing is a crisis that continues to grow in Honolulu. Failure to amend our laws to provide sufficient affordable housing for our local residents is morally wrong and economically unsustainable.
- a. Pricing local families out of affordable housing forces our families to live in overcrowded conditions or to leave our islands, tearing families apart.
 - b. Our economy is based primarily on local service jobs, most of which are not high paying. Yet our housing prices are being influenced by international speculation in Hawaii real estate. The people buying at these high prices are often not living or working in Honolulu.
4. What others say:
- a. The Oahu Real Property Tax Advisory Commission (ORPTAC) unanimously recommends implementing an Empty Homes Tax like Bill 9, to positively impact Oahu's housing situation.
 - b. The UCLA Luskin School of Public Affairs report for Honolulu identified the Empty Homes Tax as the form of vacancy tax best suited to the needs of our community and the capacity of local government.

While there is no one magic solution to our affordable housing and homelessness crises, Bill 9's Empty Homes Tax can help address these problems, by increasing our supply of housing and creating dedicated revenues to address these problems.

We request amendments to Bill 9 to conform to ORPTAC's definition of "empty homes," and earmarking of funds to assure they will serve both affordable housing and homelessness needs.

Thank you for your consideration of this testimony and for your efforts to create a more equitable and fair community for us all.

Submitted on behalf of the Church of the Crossroads
By Richard Tillotson, Co-Chair, Peace, Justice & Stewardship of Creation Mission Team
Email: office@churchofthecrossroadshawaii.org



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Officers

Ikaika Hussey
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**Testimony of Faith Action HousingNOW!
In Support of Bill 9, an Empty Homes Tax,
before the Honolulu City Budget Committee
on March 2, 2022 at 9:00am**

Faith Action for Community Equity is composed of religious and community organizations who seek to improve the quality of life for all the people of Hawaii by addressing root causes of social inequities.

Faith Action HousingNOW! is in strong support of Bill 9, an Empty Homes Tax for Honolulu.

Our local residents are Priced Out of Housing in Honolulu.

Honolulu has one the nation's **highest housing costs** - over \$1,000,000 median cost for a single-family home. Yet the median household income in Honolulu is only \$85,857 (2020 Census). **Out-of-state investors are hoarding our housing units, leaving 34,253 housing units vacant (2020 Census). Almost 1 in every 10 units is not a home for anyone.**

Our tax structure incentivizes this cruel result. We have the lowest property tax in the nation, with no incentive to use property for homes for local residents. This causes huge outside investments in our housing. These investors enjoy high profits, but drive up our housing prices even further. All while thousands of properties remain vacant and local residents are priced out, without an affordable place to live.

The Empty Homes Tax makes our housing policy more equitable. 95% of revenues from this tax go straight to affordable housing and homelessness. The other 5% go to enforcement and implementation.

While there is no one single miracle cure for our affordable housing crisis, we believe this Empty Homes Tax is an important part of solutions that are needed. Bill 9 can help by:

- Increasing our supply of housing stock by incentivizing owners of tens of thousands of existing vacant housing units to convert them into homes for Oahu residents

- Rapidly increasing available housing stock while avoiding costly construction, long delays in permitting and construction, taking more land for development, and expensive public subsidies
- Discouraging outside investment & speculation that drive our housing costs even higher
- Creating major dedicated tax revenues for affordable housing & homelessness solutions

The Empty Homes Tax would only be imposed on properties not used as the principal residence for Honolulu residents for at least 6 months a year. The six months can be made up of two three-month rental periods, but not rentals shorter than 3 months, so as not to encourage short-term rentals. Thus, local residents would **not** need to pay this tax for their own principal residence, regardless of whether they own, rent, or occupy their home by Ohana arrangements.

Numerous exemptions are provided in Section 4 for equity purposes, including active sale efforts or sale, transfer of ownership, death of an owner, probate and court proceedings, armed forces deployment, major construction, medical treatment and more.

This tax creates a property tax that supports, rather than jeopardizes, local community needs for affordable housing. This tax would finally set our tax policy right by encouraging property owners in Honolulu to use their properties for homes for local residents, and NOT to hoard our housing or leave our homes vacant.

This tax is the results of months of detailed study and analysis by the Oahu Real Property Tax Advisory Commission (ORPTAC), a citizens advisory group which issued its Interim Report in December 2021. ORPTAC unanimously recommended an Empty Homes Tax bill that is virtually the same as Bill 9. Their report and recommended bill are here: <https://static1.squarespace.com/static/6098c5bb75e480679bd2fab3/t/62197e78107e855cd4bbc256/1645837965728/Real+Property+Tax+Commission+2021-12-29+Interim+Report+Complete.pdf>. ORPTAC analyzed other options for vacancy/empty homes taxes, such as Bills 76 and 49, and concluded that the Empty Homes Tax is greatly preferable and more likely to be effective for Honolulu's needs, for the many reasons described in the report. We invite your review of their report and recommendations.

We request amendment to Bill 9 to conform it to the ORPTAC recommendation. This will also make the tax much more effective, and less easy to evade:

- As to section 8-___.1, for the definition of Empty Homes, delete "that has been unoccupied for more than six months during the previous tax year and". This "unoccupied for more than six months" standard is vague, undefined, and inconsistent with the definition of

"empty home" in section 8-___.4 It is also plainly contrary to the language and intent proposed by ORPTAC. For example, a property used only occasionally for short term rentals, corporate retreat, or for only a few weekends every six months, could be construed having been "occupied" during those six months, and so avoid being defined as an "empty home" and thus avoid the tax.

We also seek clarity of changes made to section 8-___.3(a), to conform to ORPTAC's intent to assure tax revenues will go to address both affordable housing and homelessness.

A similar Empty Homes Tax in Vancouver has resulted in a 26% reduction of vacant homes and \$106 million in new tax revenues for affordable housing initiatives, since 2018. A related vacancy/speculation tax in the province of British Columbia has generated \$231 million in revenues for affordable housing and helped create more housing for local residents.

Thank you for helping support new solutions to improve the quality of our community.

Submitted on behalf of Faith Action HousingNOW!

By Ellen Godbey Carson
Email: housing@faithactionhawaii.org

From: CLK Council Info
Sent: Monday, February 28, 2022 5:43 PM
Subject: Budget Testimony

Written Testimony

Name Ann Renick
Phone
Email arenick8@gmail.com
Meeting Date 03-02-2022
Council/PH Committee Budget
Agenda Item Bill 8
Your position on the matter Support
Representing Self
Organization

Written Testimony Please support Bill 9, for an Empty Homes Tax for Honolulu, with an amendment to conform the definition of "Empty Homes" to the ORPTAC's recommendation.

Testimony Attachment

Accept Terms and Agreement 1

IP: 192.168.200.67

From: CLK Council Info
Sent: Monday, February 28, 2022 5:48 PM
Subject: Budget Testimony

Written Testimony

Name Evelyn Hao
Phone
Email evyhao@gmail.com
Meeting Date 03-02-2022
Council/PH Committee Budget
Agenda Item Bill 9
Your position on the matter Support
Representing Self
Organization

Written Testimony

Our local residents need truly affordable housing. Ironically, according to 2020 Census, there are 34,000+ vacant housing units sitting dormant while we have families looking for housing they can afford.

Bill 9 addresses this cruel irony by providing an incentive for property owners to change their empty property into homes for our people. The incentive is a tax on empty homes. The effects of a tax on empty homes includes rapidly increasing the number of homes needed without costly construction, without using up more land, and without state subsidies.

Please pass this bill which is good for our residents and our state.

Thank you,
Evelyn Hao

Testimony Attachment
Accept Terms and Agreement 1

IP: 192.168.200.67

**TESTIMONY OF ELLEN GODBEY CARSON
IN SUPPORT OF BILL 9, EMPTY HOMES TAX,
To the Honolulu City Council Budget Committee
For Hearing on March 3, 2022 at 9:00 am**

I strongly support Bill 9, the Empty Homes Bill. While I write as an individual, I have served as a volunteer president and director of the Institute for Human Services, president of the Hawaii State Bar Association and Hawaii Women Lawyers, and as a community advocate for many other non-profits, helping Hawaii address homelessness needs, our lack of affordable housing, and other injustices that hurt our entire community.

Empty Homes Hurt Honolulu. The US Census bureau (2020) reports that Oahu has 34,253 empty homes and a 9.2% housing vacancy rate. *That's more than the total new homes needed on Oahu to end our housing shortage.* Where are these empty homes? All over our island. In the viewplane of my Makiki condo, hundreds of condo units are dark *every night* in some of the highest demand areas of the city (Kaka'ako, Ala Moana and downtown). The Richards Street apartment where I earlier lived had 2 units above mine that had *never* been built out or lived in - for over 40 years! A house near me on Pensacola street is so blighted it is a constant health and safety hazard. These are all empty homes. They all hurt Honolulu.

Empty homes could be converted into homes for our local residents now, with no public subsidies, no new construction, no taking of new lands, and no years of delays in Permit and Planning. How? With an Empty Homes Tax.

Our tax policy is broken. It creates results that are unsustainable and downright cruel. Hawaii's property taxes are the lowest in the nation, and fail to distinguish between those who leave our properties vacant versus those who need homes. Our low property taxes incentivize outside investors to buy large numbers of our properties for profit and enjoyment, without ever using them as homes. They enjoy great profits from our rising housing market, while local residents can't afford a home. Competition from these international investors is driving our prices ever higher. Our median housing prices are now over \$1,000,000, while median income is under \$90,000. It's broken and an Empty Homes Tax can help.

Yes, it's a new tax, but it wouldn't be payable by anyone who uses their housing as a home, whether they own, rent, or occupy as ohana. See Section 4. Those who own empty homes could then choose whether to keep an empty home and pay an Empty Homes Tax, or allow the property to be used as a home. Either way, our community wins – more homes, or more tax revenues to address affordable homes and homelessness -- or both.

What's been the experience of other jurisdictions with Empty Homes and Vacancy Taxes? Bill 9 is most similar to Vancouver's Empty Homes tax, which

has resulted in a 26% reduction of vacant homes and \$106 million in new tax revenues for affordable housing initiatives, since 2018. (This, despite having only 2,193 empty homes initially – less than 10% of Honolulu’s empty homes.) Vancouver’s Dec 2021 annual report on EHT (covering activity to 11/1/21), shows the following EHT impact (<https://dailyhive.com/vancouver/vancouver-empty-homes-tax-revenue>. <https://vancouver.ca/files/cov/vancouver-2021-empty-homes-tax-annual-report.pdf>):

- “There is strong evidence that the Empty Homes Tax is reducing the number of vacant residential properties in Vancouver.” In 2017, there were 2,193 vacant homes; by 2020, that number was reduced to 1,627, for a reduction of vacant homes by 26%.
- 36% of the properties classified as vacant in 2019 were converted to occupied status in 2020.
- In the first four years of EHT, the city levied \$146 million in EHT taxes, and has so far collected \$106 million (audits and non-compliance make up the difference).
- Revenue generated from audits from 11/2/20-11/1/21 was \$17.3 million (paid by non-compliant owners). The EHT effective non-compliance rate has steadily fallen from 7.5% in 2017 to 4.1% in 2020.
- More than \$86.6 million of net revenues from the tax has been allocated to support affordable housing initiatives in Vancouver.
- EHT revenues are sufficient to cover one-time implementation costs of \$7.5 million and estimated annual operating costs of \$2.5 million.

A vacancy/speculation tax in the province of British Columbia has generated \$231 million in revenues for affordable housing since 2018, and helped create more housing for local residents. Other jurisdictions have chosen very different tax models that have generally fared less well so far, especially those that rely on owners to voluntarily self-report that they have a vacant or blighted home (such as Washington, DC and Victoria Australia).

How would Bill 9 be implemented? Bill 9 creates a new supplemental (not alternative) tax that would apply only to “empty homes” that do not qualify for any exemption. (Section 4’s list of exemptions is robust, to assure equity, and other exemptions may be worthy as well). The City would send out property status declaration forms to all owners of residential properties, on which the owner must declare whether the property was used for a principal residence for at least 6 months in the prior tax year, or met some other exemption from the tax. Section 6 authorizes audits and investigational tools for enforcement, as well as penalties to encourage compliance. Our current property tax law already uses a “principal residence” definition for homeowner exemption. Bill 9 uses the same “principal residence” definition and extends it to owners, renters and permitted occupiers of a home, so their homes can have a full exemption from this Empty Homes Tax.

By looking retrospectively at the past year (similar to income taxes and excise taxes), the declaration is made when actual use of the property is known, rather than using unreliable prospective prognostication as to whether a home may be vacant or not in the coming year. It's fairer and more easily provable. Note that Vancouver's audit/compliance efforts more than cover their enforcement costs.

Bill 9 should also coordinate well with Bill 41, the Short Term Rental rules. Both bills seek to prevent the proliferation of short term rentals that have depleted our housing stock and driven up our prices. Both bills rely on a minimum 3-month period for rentals. Both bills have similar penalties to help enforce compliance.

Public discussion can help us identify other ways this Bill could be further enhanced. For example, an initial grace period, or semi-annual payment options and other measures may preserve the intent while enhancing the effectiveness of the Bill, and avoiding unintended consequences. There will be challenges in any new tax methodology. Let's welcome the results that change can bring. We will never do great things for the people of this island if we are unwilling to undertake new challenges and change.

This bill deserves our strong support. Let's give it a chance to work in Honolulu.

Respectfully submitted,

Ellen Godbey Carson
Honolulu, Hawaii

From: CLK Council Info
Sent: Monday, February 28, 2022 7:49 PM
Subject: Budget Testimony

Written Testimony

Name Valerie Wayne
Phone
Email vwayne@hawaii.edu
Meeting Date 03-02-2022
Council/PH Committee Budget
Agenda Item Bill 9
Your position on the matter Support
Representing Organization Self

Written Testimony The homeless people who live on our streets witness to the lack of affordable housing in Honolulu. At the same time we have many empty houses and condominiums. Please pass this bill to help us correct this problem by prioritizing homes that the citizens of Honolulu can afford to buy and life in.

Testimony Attachment

Accept Terms and Agreement 1

IP: 192.168.200.67

TO: Members of the Budget Committee of the Honolulu City Council

FROM: Natalie Iwasa, CPA, CFE
808-395-3233

DATE: Wednesday, March 2, 2022

SUBJECT: Bill 9 (2022), Vacant Homes "Supplemental" Tax - **OPPOSED**

Aloha Chair Say and Councilmembers,

Thank you for allowing testimony on Bill 9, which would create a "supplemental" tax of 3% of assessed value on vacant residential properties. This tax would be on top of real property taxes, i.e., a \$1 million home would be assessed \$30,000 *in addition to* real property taxes of \$3,500 or \$4,500 under current rates.

On August 13, 2014, the Honolulu City Council adopted Resolution 14-179 which outlined requirements for certain property owners to file a claim for tax compromise with the city if their property had been reclassified from Residential into Residential A. According to a StarAdvertiser report, 652 property owners filed claims for a total of \$2.5 million.¹

On November 12, 2014, the Council adopted Resolution 14-255 which outlined similar requirements for tax compromises for property owners who had not filed the tax compromise claim under Resolution 14-179.

Some owners are *still* asking for relief from Residential A, because they were unaware of the potential reclassification and did not file for the applicable homeowner's exemption.

This bill presumes ALL residential properties are vacant unless an *annual* declaration is filed with the city.

What are you going to do when hundreds of property owners are not aware of this new "supplemental" tax and end up with tax bills in the tens of thousands of dollars -- annually?

Please vote "NO" on Bill 9. There are too many negative consequences.

¹ City could lose \$2.5M due to tax compromise, StarAdvertiser, October 18, 2014.

From: CLK Council Info
Sent: Monday, February 28, 2022 9:45 PM
Subject: Budget Testimony

Written Testimony

Name Cristina Bacchilega
Phone
Email cbacchi@hawaii.edu
Meeting Date 03-02-2022
Council/PH Committee Budget
Agenda Item Bill 9
Your position on the matter Support
Representing Self
Organization

Honorable City Council Members,

This cannot be news to you: local residents are being priced out of Housing in Hawaii. Our median cost of housing is over \$1,000,000. Yet the Census Bureau reports Oahu has over 34,000 empty homes!

Written Testimony Our tax structure is broken and encourages outside investors who don't even use our houses as homes. This is not sustainable. It is hurting all of us. We need to prioritize affordable homes for those who work and live here.

Please support Bill 9, for an Empty Homes Tax for Honolulu, with an amendment to conform the definition of "Empty Homes" to the ORPTAC's recommendation.

sincerely,
Cristina Bacchilega

Testimony
Attachment
Accept Terms and Agreement 1

IP: 192.168.200.67

From: CLK Council Info
Sent: Tuesday, March 1, 2022 10:37 AM
Subject: Budget Testimony

Written Testimony

Name Deanna Espinas
Phone
Email espihawaii@juno.com
Meeting Date 03-02-2022
Council/PH Committee Budget
Agenda Item Bill 9
Your position on the matter Support
Representing Organization
Organization Faith Action for Community Equity
Written Testimony Please continue to provide affordable homes for those who work and live here in Hawaii (rather than encourage outside investors who don't even use our houses as homes). We have friends and families who are struggling to find good paying jobs and affordable housing to provide for their families
Testimony Attachment
Accept Terms and Agreement 1

IP: 192.168.200.67

From: CLK Council Info
Sent: Tuesday, March 1, 2022 9:21 AM
Subject: Budget Testimony

Written Testimony

Name Tori-Lyn Smith
Phone
Email smithtorilyn@gmail.com
Meeting Date 03-02-2022
Council/PH
Committee Budget
Agenda Item Bill 9
Your position on
the matter Support
Representing Self
Organization

Written We are watching Hawaii be sold off at the fastest rate than we've seen in generations. Our
Testimony housing availability doesn't even meet the need of our our people currently. We continue to
 be proved out of our own home. We need to stop the incentivizing of buying of our homes
 for vacation rentals and investments. We need to protect out keiki's future!

Testimony
Attachment

Accept Terms 1
and Agreement

IP: 192.168.200.67

From: CLK Council Info
Sent: Tuesday, March 1, 2022 9:12 AM
Subject: Budget Testimony

Written Testimony

Name Keith Webster
Phone
Email keithhawaii@yahoo.com
Meeting Date 03-02-2022
Council/PH Committee Budget
Agenda Item Bill 9
Your position on the matter Support
Representing Self
Organization

Dear Councilmembers,

I'm getting ready to retire and my wife and I have a home on Oahu but our 28 year old son moved to the mainland because he didn't see a way forward in Hawaii. He was born and raised here and loves Hawaii but housing pricing especially is not in line with wages for the local economy.

I request your support for Bill 9, the Empty Homes Tax because it will provide more housing for local people using housing stock we already have.

Written Testimony Bill 9 will also discourage investment hoarding of empty homes. It seems strange that people would keep housing empty but it is quite common, we have 34,000 vacant housing units in Honolulu. The bill permits this but the tax encourages use of our housing stock to house local residents with the money generated used to provide more affordable housing.

Affordable housing is a crisis. It's morally wrong and economically unsustainable to let this crisis continue to grow. Our economy needs younger workers making local wages to thrive. And those workers need housing with room to raise a family. It's wrong to tear our families apart by our failure to provide the basic needs of life within reach of the next generation.

Please support Bill 9.

Keith Webster
Kaneohe, HI

Testimony
Attachment

From: CLK Council Info
Sent: Tuesday, March 1, 2022 10:52 AM
Subject: Council Testimony

Written Testimony

Name Evan Weber
Phone
Email evanlweber@gmail.com
Meeting Date 03-02-2022
Council/PH Committee Council
Agenda Item Bill 9
Your position on the matter Support
Representing Organization Organization
Our Hawai'i Action

Written Testimony

This is the most obvious low-hanging fruit of our housing crisis and if the council cannot pass this in some form you should all be replaced, because you clearly have no intention of working for the people of O'ahu.

Conform the definition of empty home to ORPTAC's recommended language.

Testimony Attachment

Accept Terms and Agreement 1

IP: 192.168.200.67

From: CLK Council Info
Sent: Tuesday, March 1, 2022 12:50 PM
Subject: Budget Testimony

Written Testimony

Name Mishka Sulva
Phone
Email mishkaks@gmail.com
Meeting Date 03-02-2022
Council/PH Committee Budget
Agenda Item Bill 9
Your position on the matter Support
Representing Organization Self

Written Testimony

When there are 15,000 people homeless despite an ample supply of 34,253 empty residences, the problem is not a lack of supply, it is a problem of priorities. We can't continue to prioritize out of state investors over the people who live here. Furthermore, building more housing will not alleviate the problem of homelessness when we maintain systems that provide no reprieve for our most vulnerable. We must disincentivize those who buy housing without the intention of living here and being a part of our community, because not doing so actively destroys our community and makes it harder for our children to live here. Please pass this bill and let's support local O'ahu families.

Testimony Attachment

Accept Terms and Agreement 1

IP: 192.168.200.67

From: CLK Council Info
Sent: Tuesday, March 1, 2022 2:09 PM
Subject: Budget Testimony

Written Testimony

Name Soon Kim
Phone
Email skim@faithactionhawaii.org
Meeting Date 03-02-2022
Council/PH Committee Budget
Agenda Item Bill 9
Your position on the matter Support
Representing Self
Organization
Written Testimony
Testimony Attachment
Accept Terms and Agreement 1

IP: 192.168.200.67

From: CLK Council Info
Sent: Tuesday, March 1, 2022 3:23 PM
Subject: Budget Testimony

Written Testimony

Name nicole rhoton
Phone
Email nicolerhoton@gmail.com
Meeting Date 03-02-2022
Council/PH Committee Budget
Agenda Item Bill 9
Your position on the matter Support
Representing Self
Organization

I am writing in strong support of Bill 9 which will increase the supply of available homes without developing land or gentrifying neighborhoods. We are in a housing crisis due to a lack of affordable homes on the island.

There are more Native Hawaiians living in the diaspora (not in Hawaii) than there are in Hawaii because they cannot afford to live here. This is unethical.

Written Testimony There are over 15,000 people in Hawaii without homes while twice that number of homes are empty. That is unethical.

Over 50 percent of houseless are Kupuna, and over 50 percent are Pacific Islander. This is not OK.

Please keep Hawaiians in Hawaii.

Testimony
Attachment
Accept Terms and Agreement 1

IP: 192.168.200.67



March 2, 2022

9 a.m.

Via Videoconference

To: Honolulu County Council Committee on Budget
Calvin K.Y. Say, Chair
Radiant Cordero, Vice Chair

From: Grassroot Institute of Hawaii
Joe Kent, Executive Vice President

RE: Bill 9 (2022) — RELATING TO REAL PROPERTY TAXATION

Dear Committee Members,

The Grassroot Institute of Hawaii appreciates the opportunity to submit testimony on [Bill 9](#), which would implement a vacancy or “empty homes” tax on all Oahu homes ruled to be vacant for at least six months.

This measure has the admirable aim of opening up additional housing for Hawaii residents. To achieve this end, it would impose a 3% property tax surcharge on such vacant homes. Occupied houses would continue to face a 0.35% tax rate.

To put this in context, the property tax on a vacant house valued at \$600,000 would be \$18,000, compared with \$2,100 currently.

The point of this bill is to incentivize the sale of empty houses in order to increase Oahu's housing supply. But more likely it will have the effect of penalizing homeowners, driving up already sky-high taxes, implementing privacy-invasive and severe enforcement measures, and providing little to benefit to Oahu residents in need of affordable housing.

Here are some points to consider:

>> **“Empty homes” taxes do not free up affordable housing.**

The bill states that its goal is to encourage existing owners “to rent or sell vacant housing stock for use as homes for local residents.” However, the homes this bill targets — those owned by wealthy mainland individuals — are often not the homes that average Oahu residents can afford anyway.

Kam Napier, editor-in-chief of Pacific Business News, addressed this point when a similar measure was proposed in 2019. He wrote that “all it would do is put some luxury Kakaako

apartments into the rental pool, renting for \$5,000, \$6,000 or even \$8,000 a month. I don't think that satisfies anyone's desire for more affordable housing."¹

Thomas Davidoff, a real estate finance professor at the University of British Columbia, wrote in 2018: "Foreign-buying, and especially empty-home owning, is concentrated at the high end."²

>> 'Empty homes' taxes have been tried before with several unintended consequences.

Vancouver, Canada, imposed an empty-house tax in 2017 with little success.

In 2018, Canada's CBC News reported that "in its first year of implementation, the tax appears to be doing little to achieve its stated goal."³

In 2021, the Vancouver Sun noted that the tax's effect on rental availability was hard to determine amidst other taxes, housing regulation and broader economic changes.⁴

And just last month, in February, 2022, Quartz reporter Camille Squires wrote, "Even where successful, vacancy taxes haven't been enough to meaningfully bring down prices across a city. To meet demand, cities need more new construction."⁵

>> Hawaii's property tax is high enough already.

Bill 9 claims that Hawaii has among the lowest property tax rates in the nation, but this, while true, is misleading. Why? Because, as the bill itself notes, the median cost for a single-family home on Oahu exceeds \$1,000,000, as of August 2021, leaving Hawaii homeowners paying property taxes of \$3,333 in actual dollars, which is on par with the national average of \$3,719.⁶

As stated by housing information site Bungalow, "Hawaii has the lowest effective property tax rate in the country, but it does cost to live in paradise. It is one of the most expensive states to live in and has the highest median home value, which means that the actual dollar amount homeowners spend is on the high side."⁷

>> Vacancy taxes require an invasive enforcement mechanism.

¹ Kam Napier, "[Vexed on Honolulu vacancy tax arguments](#)," Pacific Business News, June 28, 2019.

² Emily Cadman and Natalie Obiko Pearson, "[Taxing Rich Peoples' Empty Homes Isn't Helping the Housing Crisis](#)," Bloomberg, Aug. 15, 2021.

³ Karin Larsen, "[Empty homes tax not helping rental crisis, generating millions more for Vancouver: report](#)," CBC, Nov. 29, 2018.

⁴ Gordon Hoekstra, "[Three years in, has B.C.'s speculation and vacancy tax made a difference?](#)" Vancouver Sun, Nov. 14, 2021.

⁵ Camille Squires, "[San Francisco is the latest city to consider tackling its housing crisis by taxing empty homes](#)," Quartz, Feb. 11, 2022.

⁶ "[Attom Data Solutions releases 2020 Property Tax Analysis](#)," Attom Data Solutions, April 9, 2021. See also, "[2020 Property Taxes by County](#)," Attom Data Solutions, April 9, 2021.

⁷ "[10 Most Expensive States in the U.S.](#)," Bungalow, Feb. 1, 2022, and "[5 states with the highest and lowest property tax rates](#)," Bungalow, Feb. 1, 2022.

Bill 9 states: "The city may conduct audits and investigations to determine the validity of property status declarations made for any residential property."

This means that to determine whether a house has been vacant six or more months in a year, the city would need to set up some sort of monitoring system. Not only would this add to the workload of existing city employees, or require additional employees to be hired, it also would authorize the city to demand from the homeowners "proof of principal place of residence of the owner, tenant or other occupant," including:

- >> Vehicle registration, government-issued personal identification, driver's license; utilities records and mailing address used for personal bank and credit accounts.
- >> Tenancy agreements, occupancy agreements, and proof of income and general excise taxes paid for rental income.
- >> Proof of receiving or providing medical care by the owner or tenant that precluded occupancy of the property.
- >> Proof of sale or transfer of ownership; sale activity efforts and listing in the multiple listing service for the property.
- >> Death certificates.
- >> Court orders and proceedings.
- >> Proof of military orders of deployment.
- >> Building permits and applications.

How invasive this scheme would be would depend on its implementation, but there is little doubt that this process would create headaches, and privacy worries, for homeowners.

Violation of the rules would involve steep fines — \$25,000 a day for each offense — and even possible foreclosure.

>> All revenues would go to the city's affordable housing dedicated fund, with 5% skimmed for "administrative costs."

Bill 9 states: "Revenues from the tax collected under this article will be dedicated to the city's affordable housing fund and other city affordable housing initiatives." Further, "up to 5%" of the tax proceeds would be dedicated to "administrative costs."

However, without changes to the state or city zoning regulations, which are the primary constraints on housing supply statewide and on Oahu, the city will only perpetuate a cycle of spending too much on housing development that makes little difference to the affordable housing shortage.

In addition, there is no evidence in the bill that diverting “up to 5%” of all revenues for alleged administrative costs would be justified. At the very least, evidence should be presented to justify any amount that would be skimmed.

>> The bill is unclear about how many houses it would cover.

In Section 8, Bill 9 lists almost a dozen exemptions from the proposed “empty house” tax.

For example, houses belonging to deployed members of the armed forces, medical caregivers and those receiving medical care would not have to pay the 3% rate.

There are also exemptions for houses in probate court, those undergoing repairs or demolition, and those up for sale.

All of these exemptions are commendable, but they beg the question: How many houses do not qualify for an exemption? Without this figure, the city would be shooting in the dark.

>> Bill 9 acknowledges the underlying causes of Hawaii’s housing shortage, but does nothing to address them.

If there ever was a bill that attempts to address the symptoms of a problem instead of the causes, Bill 9 is it. In proposing an “empty house” tax for Oahu, the bill ironically states:

“An empty homes tax can help convert existing investment properties into housing for local residents without the need for costly construction, long delays for development and permitting, and taking more land for development.”

In other words, why should the city raise taxes on homeowners and threaten them with severe fines and invasions of privacy when it could simply direct its efforts toward removing the obstacles that are, as the bill admits, the root cause of the housing shortage: “costly construction, long delays for development and permitting, and [not making available] more land for development”?

As you might already know, the Grassroot Institute of Hawaii has issued several publications analyzing how zoning and other regulations throttle the growth of housing on Oahu and throughout Hawaii.

One was our policy report [“Reform the Hawaii LUC to encourage more housing,”](#) which advocates giving the counties more authority to make decisions, thus reducing the amount of

bureaucracy and preventing the state Land Use Commission from becoming a de facto state zoning commission.

Another was "[Build up or build out? How to make housing more affordable](#)," which recommends "increasing the area of urbanized land and building marketable densities outside of the existing urban footprint," which currently is about only 5% of all land in the state. For example, an increase of only 1 or 2 percentage points in Hawaii's urban-designated land would be equivalent to a 20% to 40% increase, respectively, in lands available for more housing.

In addition, the institute has made available a zoning-reform toolkit, "[How to Build Affordable, Thriving Neighborhoods](#)," which explores different ways to increase housing supply and improve affordability by reforming state and local zoning restrictions.

We summarized many proposals from the toolkit in a commentary published in The Maui News, "[50 ways — at least — to update Maui's zoning code](#)."

In short, the best way Oahu's affordable housing shortage would be to address the underlying causes — which, again, as Bill 9 itself states are: "costly construction, long delays for development and permitting, and [not making available] more land for development."

Thank you for your time and attention, and we hope you will take into consideration this research and our testimony as you further debate the merits of Bill 9.

Sincerely,



Joe Kent
Executive Vice President
Grassroot Institute of Hawaii

From: CLK Council Info
Sent: Tuesday, March 1, 2022 11:49 PM
Subject: Budget Testimony

Written Testimony

Name Elizabeth Nelson
Phone
Email hawaiiilizzie@gmail.com
Meeting Date 03-02-2022
Council/PH Committee Budget
Agenda Item Empty home tax
Your position on the matter Support
Representing Self
Organization Faith Action for Community Equity

Written Testimony I fully support this bill. I did testify before, but mistakenly said I was testifying for Faith Action instead of as an individual.
This bill make a lot of sense and the monies can be used to construct truly affordable homes for the people of Hawaii.

Thank you, Elizabeth Nelson

Testimony Attachment
Accept Terms and Agreement 1

IP: 192.168.200.67

From: CLK Council Info
Sent: Tuesday, March 1, 2022 5:07 PM
Subject: Budget Testimony

Written Testimony

Name Thomas Brandt
Phone
Email tbhawaiiowan@aol.com
Meeting Date 03-02-2022
Council/PH Committee Budget
Agenda Item 9
Your position on the matter Support
Representing Organization Self

Written Testimony Support with a request for an amendment to conform the definition of “Empty Home” in Bill 9 to ORPTAC’s recommended language.

Thank you.

Testimony Attachment

Accept Terms and Agreement 1

IP: 192.168.200.67

From: CLK Council Info
Sent: Tuesday, March 1, 2022 9:09 PM
Subject: Budget Testimony

Written Testimony

Name Ashley Moanionalani McShane
Phone
Email ashley.mcshane@gmail.com
Meeting Date 03-02-2022
Council/PH Committee Budget
Agenda Item Bill 9
Your position on the matter Support
Representing Self
Organization

As a life long Hawaii resident & Kanaka, i have witnessed the way the housing market has been over taken by foreign interests both international & American. Us kanaka & locals have no chance of competing with outside money when Hawaii does not pay wages enough to buy homes here in Hawaii. As a resident, I am tired of seeing empty condos and vacation rentals and homeless camps in close proximity. It is painfully obvious that Hawaii is always selling to the highest bidder instead of taking care of it's residents.

Written
Testimony

Personally, the only hope I have of owning anything here is to buy it with multiple family members to break up the cost. Many of us who did have homes we were able to inherit have lost them due to the need to sell them to live.

I am in absolute support of this bill and will say that it is only the beginning. MUCH more needs to be done to protect Hawaii from foreign invasion and ensuring that its residents can afford to still call this place home.

Testimony
Attachment

Accept Terms
and Agreement 1

IP: 192.168.200.67

From: CLK Council Info
Sent: Wednesday, March 2, 2022 10:21 AM
Subject: Council Testimony

Written Testimony

Name June Takeno
Phone
Email takenojs002@hawaii.rr.com
Meeting Date 02-02-202y
Council/PH Committee Council
Agenda Item Bill 9: Affordable Housing
Your position on the matter Support
Representing Organization Self

Written Testimony The community needs bill 9 passed. There is a lack of affordable housing and presence of empty homes and is hurting our community. Young adults are not able to afford purchasing homes due to the expensive market today.

Testimony Attachment
Accept Terms and Agreement 1

IP: 192.168.200.67

From: CLK Council Info
Sent: Wednesday, March 2, 2022 11:25 AM
Subject: Council Testimony

Written Testimony

Name Jane Smith
Phone
Email Janesmith@notrealemail.com
Meeting Date 03-02-2022
Council/PH Committee Council
Agenda Item Bill 9 which spilled into TAT
Your position on the matter Comment
Representing Organization Self

Aloha Councilman Waters,

Written Testimony

In the budget meeting today you brought up the Transient Accommodations Tax, specifically Maui Transient Accommodations Tax or MTAT. I recently received a call from a tax payer (I work for the City & County of Honolulu) subject to MTAT who had been calling all Hawaii counties as they were unable to get in touch with the MTAT office. I myself tried for a few hours to get a hold of their office, which I finally did. I spoke with the director who apologized and informed me that they are incredibly under-staffed or essentially un-staffed. You repeated refer to Maui and how they are doing things. Yes, many things are great but in my own dealings with several departments with Maui County the have their own and similar/same issues as Honolulu county, BFS, and RPAD

Testimony Attachment
Accept Terms and Agreement 1

IP: 192.168.200.67